PRODUCING NEOLIBERAL HEGEMONY? A NEO-GRAMSCIAN ANALYSIS OF THE POVERTY REDUCTION STRATEGY PAPER (PRSP) IN NICARAGUA

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Introduction Over the last two decades, the World Bank and the International Monetary Fund (IMF) have played an increasingly important role in structuring developing country societies and economies. By linking concessional lending to structural conditionalities, in many cases these international financial institutions (IFIs) have exerted enormous influence over the ways in which developing countries have integrated themselves into the world economy. Moreover, through structural adjustment programs (SAPs), the IFIs have been partly successful at amending the social and economic fabric of developing countries. However, SAPs have recently come under heavy criticism for their disappointing development results, the inherent social costs associated with them, and the lack of country ownership of adjustment policies.[1]

In recent years, the IFIs themselves have acknowledged shortcomings of the SAP development approach,[2] and have expressed their intention to move away from the Washington Consensus towards a new lending paradigm based on a new Post-Washington Consensus (PWC).[3] This move found expression in the introduction of the Comprehensive Development Framework (CDF), which represents the overarching policy design of the PWC and was first articulated in 1997 by former World Bank president James Wolfensohn and the Poverty Reduction Strategy Paper (PRSP), the most visible policy tool of the PWC, which was introduced to the development community in 1999 at the G8 summit in Cologne. According to

the IFIs, the CDF represents the realization that "[d]eveloping countries need to develop their own mix of policies to reduce poverty, reflecting national priorities and local realities."[4] In this context, the PRSP approach ostensibly prioritizes country ownership of development policies and civil society participation in the formulation of national poverty reduction strategies, therefore distinguishing this approach markedly from former SAPs.[5]

At the risk of simplification, the recent shift in the development thinking of the World Bank (hereafter referred to as "the Bank") and the IMF (hereafter referred to as "the Fund") has been greeted with two opposed responses in academia. On one hand, supporters of the IFIs posit that the PWC and the PRSP approach represent a fundamental rupture in development practice and a progressive move away from policy conditionality towards country ownership and home-grown development strategies. While most commentators acknowledge some flaws in the participation and implementation process of national PRSPs, the PRSP approach is nevertheless welcomed as a step in the right direction which, it is hoped, will contribute over time to establishing a more genuine partnership between developed and developing countries.[6] Country ownership, civil society participation, and poverty reduction are perceived as a movement towards a more democratic and just world order.

On the other hand, critics of the IFIs have suggested that the shift towards the PWC and the introduction of the PRSP approach in the late 1990s do not represent a departure from the neoliberal policy advice espoused by the IFIs during the era of structural adjustment. Rather, this discursive shift towards the PWC is understood to be part of an effort to address the growing criticisms of IFI policies, and to further tighten the grip of the IFIs over developing countries through forms of "deep interventionism," foreclosing social and political alternatives to neoliberal practice.[7] Susanne Soederberg has recently provided a succinct summary of this view: "From this perspective, then, the PRSPs are not about doing away with conditionality, but should be seen instead as direct responses to the above-mentioned 'threats to neoliberalism,' which are, in turn, targeting at reconfiguring and deepening neoliberal domination over the growing number of the poor in the South."[8]

By examining Nicaragua's experience with the PRSP process, this paper

interrogates the recent shift in the IFIs' development approach and evaluates the degree to which the PRSP approach differs in process and content from earlier SAPs.[9] This analysis is broadly located within the second interpretation of the IFIs' policy shift, and the paper argues from a neo-Gramscian perspective that the introduction of the PRSP approach could be understood as an attempt by the IFIs to rebuild hegemony around their highly contested neoliberal policy prescriptions, which have faced increasing opposition in many developing countries and have lost their hegemonic status. By absorbing counterhegemonic ideas into the mainstream policy dialogue and by engaging civil society actors in developing countries during the policy formulation process, the IFIs hope to create a consensus and reestablish hegemony around their interventions into developing countries. In neo-Gramscian terminology, the PWC and the PRSP approach are elements of a strategy of "passive revolution" that aims to restore political hegemony without substantially altering the socioeconomic foundations upon which the neoliberal world development order is built.

However, my analysis differs from that of most other critical commentators in that it suggests that the move towards the PRSP approach has nevertheless produced some substantial changes in the nature of development policy and the ways in which the IFIs operate in developing countries. These changes are epitomized by the crystallization of novel governance strategies of distinctly inclusive orientation, which arguably signal the emergence of an inclusive-neoliberal regime of development.[10] This regime coalesces around a number of norms and principles of inclusion, such as poverty reduction, empowerment, and economic security, and uses many micropolitical technologies of inclusion and control, such as civil society participation in the elaboration of PRSPs, participation of the poor in poverty diagnostics, and material incentives to the extremely poor through the subsidization of health care and water in an effort to control subaltern social forces and coopt them into the inclusive-neoliberal framework. This inclusion, however, remains extremely shallow and is therefore unlikely to succeed in its aim of propping up support for neoliberal policies.

The paper proceeds in four sections. The first part provides a brief theoretical discussion of the IFIs from a neo-Gramscian perspective and situates the

PRSP approach in the world-historic context of the neoliberal restructuring of global capitalism in a nonhegemonic world order. The second part documents the recent shift in the rhetoric of the IFIs, outlining some key assumptions of the PRSP approach and the ways in which this approach is expected to differ from earlier SAPs. The third section examines Nicaragua's experience with the PRSP process, focusing on the role of civil society organizations (CSOs) in the formulation of Nicaragua's PRSP. The final part sheds light on similarities and differences between former SAPs and the PRSP of Nicaragua, and shows how an inclusive-neoliberal framework lies at the heart of Nicaragua's PRSP.

A Neo-Gramscian Understanding of the IFIs This paper builds on a neo-Gramscian understanding of international institutions, drawing on a vast body of literature that has accumulated over the last two decades in the field of International Political Economy (IPE).[11] Of particular importance to this analysis is Gramsci's concept of hegemony, which was appropriated in IPE by Robert Cox in his highly original analysis of the emergence and operation of international institutions.[12] In Gramscian thought, hegemony refers to a political process based on a relatively inclusive set of relationships, where consent rather than coercion tends to predominate and universal appeal of policies translates into broad support.[13] Consent is achieved through a combination of ideological legitimation and material concessions to, and social compromises with, subaltern social forces.

Hegemony within a particular historical order is constituted by the interplay of three separate spheres of social activity: the social relations of production, consisting of the totality of social relations that engender particular social forces through material and ideational forms of social interaction; different forms of state, encompassing historically contingent and amendable state-society complexes, and world orders, describing different ways in which the relations and conflicts between separate states in the international system can be organized and solved (either hegemonically or nonhegemonically).[14] Within each of the three spheres, the dialectical interplay of ideas defined as intersubjective meanings and shared collective images; material capabilities, describing accumulated (power) resources, and insti-

tutions, understood as means of stabilization leads to the production of a particular social order and historical structures within it. Again, a key distinguishing characteristic between different social orders is the degree to which these are hegemonic in nature.

From the neo-Gramscian perspective, social forces engendered by the production process are the main collective agents in society, and the social relations of production in the Western core countries have traditionally been the starting point in the analysis of hegemony. Changing production relations tend to give rise to a reconfiguration of social relations at the levels of state-society and world order. As Cox suggests, since the beginning of the accumulation crisis of Fordism in the early 1970s, an ongoing restructuring process of production has persevered in the world economy, which has been referred to by numerous neo-Gramscians as the transnationalization of production but has been discussed by mainstream approaches under the banner of globalization.[15] This process has culminated in the emergence of a transnational regime of production, which is increasingly embedded in global circuits of capital accumulation and the emergence of a transnational capitalist class.[16] Furthermore, this has resulted in the movement of states from Keynesian welfare states in the direction of Schumpeterian competition states, and a reconfiguration of world order from the embedded-liberal towards a neoliberal world order. The making of this neoliberal order is conflict ridden and full of contradictions and social struggles, especially in developing countries where neoliberalism has often meant increased deprivation for the majority of the population, while a tiny elite minority rakes in the proceeds from privatization and liberalization.

More importantly, the current neoliberal world order must be conceptualized as a nonhegemonic order, which is increasingly characterized by the use of coercion in the governing of social relations and the resolution of conflicts.[17] In the area of development, nonhegemony is best expressed by the unwillingness of developing country governments to voluntarily implement SAPs, and by the rapidly growing opposition to neoliberal restructuring in developing countries.[18] In the past, hegemonic world orders, such as the embedded liberal order that predominated from the end of World War II until the early 1970s, have materialized through the extension of

the hegemony of leading domestic social forces outwards into the international system.[19] However, it is my claim that international institutions such as the World Bank and the IMF play an increasingly important role in the attempt to produce hegemony around inclusive-neoliberal practices, particularly in "weak" developing countries.[20]

In building on social relationist accounts of the state, international institutions are conceptualized as the material condensation of antagonistic social forces that are in a constant state of flux in the international arena. International institutions are social structures within which and through which social forces act upon the world. While the international institutional configuration is permanently contested, it seems reasonable to suggest that an emerging transnational capitalist class has been (somewhat) successful in determining the agenda of international institutions in general, and the agenda of the IFIs in particular. But IFIs cannot be seen as mere instruments of this emerging transnational capitalist class, having achieved a functionally necessary relative autonomy from the social forces surrounding them. The social relationist understanding is fundamentally opposed to this functionalist and instrumentalist view of the IFIs put forth by some neo-Gramscians.[21] Rather, the social relationist approach attempts to conceptualize the World Bank and the IMF as historically developed moments of global capitalist social relations and historically contingent balances of social forces.[22] As these relations are subject to ongoing social struggles and different forms of political contestation, the IFIs cannot be understood in the closed manner of functionalist and instrumentalist accounts. Moreover, the relationist view of the IFIs helps to promote a better understanding of the possibilities and limits to struggles that directly target the Bank and the Fund, and accounts for the agency of counterhegemonic actors located in the core and peripheral countries in producing the IFIs.[23]

On the international stage, the IFIs are key actors in the attempt to turn the current nonhegemonic neoliberal order into a hegemonic one. In his seminal article "Gramsci, Hegemony and International Relations," Robert Cox lists five elements that are vital to understanding how hegemony operates through international institutions. International institutions help to (re)produce hegemony because they "(1) embody the rules which facilitate

the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; (4) they co-opt elites from peripheral states; and, (5) they absorb counter-hegemonic ideas."[24] I appropriate the last three elements in my attempt to make sense of the introduction of the PRSP approach. However, a sixth element needs to be added to Cox's list: the provision of material incentives to subaltern social forces so as to coopt these forces into a hegemonic world view.

Cox's last two characteristics of how international institutions participate in the production and maintenance of hegemony are particularly important to this paper. International institutions have the function of coopting elites from the periphery and absorbing counterhegemonic ideas to create or ensure the dominance of the hegemonic ideology. First, hegemonic institutions involve peripheral elites to give an appearance of broad representation and to legitimize the policies they pursue. In the PRSP process, incorporating CSOs into the policymaking process could be seen as an attempt to coopt civil society actors in the developing world into the development framework of the IFIs, and to legitimize the contested neoliberal policy reforms in developing countries. Second, hegemonic institutions absorb counterhegemonic ideas and concepts to make it seem as though the concerns of critics are being heard and taken seriously. In this process, however, the meaning of these ideas and concepts is usually transformed to fit the interests of the hegemonic forces. As will be shown later, this mechanism of what Gramsci called *transformismo* could be applied to the concept of civil society participation in the PRSP process, in which the notion of participation has been transformed from the ability to influence decision-making processes and reshape policies at the domestic level to mean nothing more than information sharing and consultation on largely predetermined sets of policies. Thus, participation could be understood as a micropolitical technology of inclusion and control.

The sixth element of material cooptation, which I appended to Cox's list, is often disregarded despite the fact that it seems to be the most important one in the struggle to establish a hegemonic world view. Since the introduction of the Post-Washington Consensus, the IFIs have emphasized

the need for developing country governments to deal with welfare issues and address the negative side effects of structural adjustment by increasing poverty-related spending and by integrating the poor into the policymaking process. In the PRSP process, the IFIs ask developing countries to use resources saved through debt relief to subsidize the extremely poor. Thus, the IFIs provide some material incentives to those most adversely affected by neoliberal adjustment policies.

The following paragraphs discuss the Washington Consensus, the criticisms that emerged over the course of the 1990s, and the ways in which the IFIs have ostensibly addressed these criticisms. Then, the discussion turns to the PWC and highlights the ways in which this new consensus differs from the earlier Washington Consensus, and shows how, through the introduction of the PWC, the IFIs attempt to reestablish the hegemony of a slightly modified inclusive-neoliberal development regime.

From the Washington to the Post-Washington Consensus From 1980 until the mid-1990s, the Bank and the Fund promoted the development policies that came to be known as the Washington Consensus with a strong sense of certainty. As Williamson suggests, central elements of this policy consensus are macroeconomic prudence, outward orientation, and domestic liberalization. However, a more comprehensive definition of the Washington Consensus must also incorporate other key aspects, such as minimal government intervention and the elimination of government subsidies, liberalization of trade and finance, fiscal and monetary austerity, privatization of state-owned businesses, well-defined property rights, and independent central banks.[25]

The IFIs were heavily involved in developing and propagating the Washington Consensus in the developing world, and started linking macroeconomic stabilization and structural adjustment to the disbursement of financial resources in the early 1980s. While SAPs were initially seen as a cure to the debt crisis that broke out in the early 1980s in Latin America, they soon became the standard policy package prescribed to all developing countries during the 1980s and 1990s. Over the course of the 1990s, however, the IFIs found themselves in a seriously compromised position.

The Asian miracle seemed to contradict the neoliberal policy prescriptions championed by the IFIs, prominent voices inside the IFIs began to question the success of neoliberal policies, and the "top-down nature" of structural adjustment lending and the failure of SAPs to deliver high and sustained levels of economic growth in the developing world called into question the Fund and the Bank's approach to development. At the same time, counter-hegemonic forces in both developed and developing countries protested vigorously against structural adjustment measures, and during the "Fifty Years Is Enough" campaign, critics called for a reorientation of the IFIs and some groups even demanded their total abolition. Consequently, SAPs lost their hegemonic status and developing country governments increasingly opposed the implementation of SAPs.

In the late 1990s, the IFIs ostensibly addressed growing criticisms of SAPs and finally conceded that the SAP development approach had failed to deliver on its promises, and that a new policy paradigm was needed to address the growing poverty and lack of economic dynamism in developing countries.[26] In this context, the Bank and the Fund have recently moved away from the Washington Consensus-based structural adjustment paradigm, embracing the "Post-Washington Consensus" and presenting the PRSP approach to the development community.[27] According to the Bank, this new approach emphasizes the interdependence of all elements of development — social, structural, human, economic, environmental, and financial — and advocates a holistic long-term development strategy with developing country governments taking the lead, both "owning" and directing the strategy.[28] The PRSP is the policy tool for achieving this goal. It has been officially incorporated into all IFI development policies and programs and was endorsed in 1999 as the basis of all future concessional lending to countries that were granted debt relief under the Enhanced Heavily Indebted Poor Country (HIPC) Initiative. The PRSP sets out a developing country's macroeconomic, structural, and social policies and programs over a period of three years. The policy content of the document is expected to be formulated by the developing country itself, reflecting the country's individual circumstances and characteristics.

Even though there are not supposed to be blueprints for the PRSP, since the policy content and priorities should reflect a developing country's particular circumstances, values, and priorities, the IFIs have provided a detailed outline of the issues to be addressed and have identified specific policy criteria for the ultimate approval of any and all PRSPs. In particular, the IFIs have identified five priority areas that they consider imperative in bringing economic growth to the developing world, and which they have turned, therefore, into conditions to be met before concessional lending for a PRSP can be approved. These include a sound macroeconomic framework; structural reform policies, such as trade liberalization, privatization, and banking sector reform; appropriate sectoral policies and programs; good governance, and realistic costing and appropriate funding.[29] This constitutes the framework for all discussions about the PRSP, which is described in more detail in the *Sourcebook for Poverty Reduction Strategies*.

In the *Sourcebook*, the IFIs present their understanding of "sound macroeconomic policy." They suggest that there exists a consensus in the development community on what is "good macroeconomic policy," and that this policy package should be universally applied in all developing countries. According to the IFIs, "sound macroeconomic policies" consist of trade and financial liberalization, privatization, fiscal prudence and low inflation, civil service reform, and deregulation of labour markets.[30] While neoliberal privatization and liberalization policies generally remain privileged in the *Sourcebook*, the Bank and the Fund nevertheless acknowledge the negative side effects of these policies and, in an effort to bolster support for the IFIs' interventions into developing countries, articulate the need to compensate more seriously than in the past those that are negatively affected by structural adjustment. In its discussion of trade liberalization, for example, the Bank maintains that "complementary policies — particularly the provision of an effective social safety net — are therefore necessary to minimize adjustment costs and to help make trade reform work for the poor."[31] Additionally, sequencing of trade liberalization is perceived as an alternative to speedy across-the-board liberalization because it will allow market participants to slowly adapt to their new market-driven environment.

Similarly, while the Bank might have taken a more poverty-sensitive

stance on privatization, it does not break with the neoliberal logic of commodification, but rather suggests subsidizing those who cannot become "normal" customers and effectively participate in market transactions. By subsidizing poor market participants, the IFIs attempt to make markets fully functional, sustainable, and hegemonic until they do not require further subsidization, a practice that could be called "accumulation by subsidization." However, the limits to social compensation are set by the overall expenditure framework, which is dictated by the IMF and is typically in line with monetarist thinking, limiting the extent to which governments can freely spend on social compensation. Therefore, the central contradiction of the new PWC arguably lies in the incompatibility of neoliberal macroeconomic and poverty-sensitive social policy, an issue that will resurface in the Nicaraguan case study.

A close look at the PRSP *Sourcebook* suggests that the IFIs have appropriated some of their critics' discourse, but nevertheless continue to push for only slightly modified inclusive-neoliberal macroeconomic and structural policies. What is more, the IFIs still function as "gatekeepers," deciding which developing countries will receive financial assistance and debt relief, when they will recieve it, and under what conditions. The *Sourcebook* makes it unambiguously clear that the IFIs ultimately have the final say in either embracing or disapproving of national poverty reduction strategies: "[w]hile the shift to country ownership will allow more leeway in terms of policy design and choice, acceptance by the Bank and the IMF boards will depend on the current international understanding of what is effective in lowering poverty."[32]

Similar to the policy framework component, there is a process component in the *Sourcebook* that emphasizes the importance of civil society participation. The idea of civil society participation is a relatively new element in the IFIs' discourse. It has been operationalized with the introduction of the PRSP process and must be understood in the context of the IFIs' attempt to build neoliberal hegemony. As noted earlier, one of the declared aims of the PRSP process is to broaden the participation of civil society, especially of the poor themselves, in the design and implementation of the poverty reduction strategy. However, the term "participation"

in itself is highly ambiguous and means different things to different stakeholders. Similarly, "civil society" is a highly contested concept that defies easy definition.

Building on a liberal understanding, the IFIs perceive civil society as a sphere of autonomy, liberty, and free association representing a counterbalance to the power of the state. In contrast to the liberal view, this paper appropriates Gramsci's notion of civil society, which questions the clear distinction between state and civil society drawn by liberals. For Gramsci, the state and civil society cannot be seen as two separate social spheres because the dominant social forces always permeate the sphere of civil society in order to maintain their hegemony. To use Gramsci's words: "the state is the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules."[33] Civil society is the ideological arena in which consent is created and hegemony guarded through means of ideological leadership, complementing the coercive potential of the state. For neo-Gramscians, then, the sudden interest of the IFIs in civil society participation does not come as a surprise because civil society is a key site in social struggles over hegemony.

It is telling that (unlike with the policy component of the PRSP) there is no in-depth analysis by the IFIs of participation, nor the extent to which CSOs and the poor participated in the formulation of the PRSP. In fact, the mechanisms of participation can be varied according to the Bank, including participatory research (i.e., perceptions of the poor), information dissemination, consultation (informal and structured), and the formation of committees and working groups on issues dealt with in the PRSP.[34] Indeed, the Bank stresses that the participatory process itself will vary greatly from country to country because each developing country has a unique set of political and social institutions and an idiosyncratic history of civil society participation. As the Bank states: "[T]here is no blueprint for participation, especially at the macro-economic level. On the contrary, there are a number of choices given a country's particular context, its starting points, what is considered feasible in that country and what outcomes it hopes to achieve."[35] This raises the question of why participation has been included at all if the

Bank will not evaluate the extent to which nongovernmental voices were incorporated into national PRSPs.

As suggested earlier, participation performs a number of functions in relation to hegemony building, and the Bank acknowledges these openly. As the IFIs have recently noted, countries that feel that reforms have been imposed on them from the outside are not as committed to such reforms. As a consequence, they will either only reluctantly implement adjustment policies that they were asked to put in place, or simply not implement them at all. The IFIs think that governments must commit to programs and policies, and that such commitment should be based on a broad consensus for effective and sustainable implementation. According to the IMF:

> Ownership matters because it directly affects program implementation. […] When the program is owned by the country, decisions on such actions are likely to be made quickly and in support of the program, which makes it more likely that the program will succeed. Furthermore, ownership will make it easier to generate domestic political support for the program, since it is likely to be seen, at least in part, as an indigenous product, rather than a foreign imposition.[36]

In this respect, the participation of a variety of development stakeholders is understood to be essential for creating a broad-based consensus around development policies. As the Bank argues in the *Sourcebook*: "Negotiation between stakeholders over priorities can lead to broader ownership and a more widely accepted consensus around development policies."[37] Thus, as neo-Gramscian theory would suggest, the main goal of participation seems not to be the incorporation of alternative ideas by civil society into the PRSP, but rather the creation of a consensus around the content of the PRSP, whose (neoliberal) parameters have been largely defined by the IFIs in the *Sourcebook* before participation even begins. To further substantiate these claims, the following paragraphs examine Nicaragua's experience with the PRSP process.

Nicaragua's Experience with the PRSP Process Nicaragua was one of the first developing countries to implement the Bank's Poverty Reduction

Strategy. While, following its socialist revolution in 1979, Nicaragua had been outside of the purview of the world capitalist order, it reinserted itself quickly into the global economy and began cooperating with the Bank and the Fund as soon as a liberal coalition took power in the early 1990s. At the same time, the internationalization and neoliberalization of the Nicaraguan state apparatus advanced rapidly, and by the mid-1990s Nicaragua had somewhat internalized the neoliberal policy stance represented by the IFIs.[38]

Cooperating with the Bank and the Fund led to a number of agreements that culminated in the signing of two Enhanced Structural Adjustment Facility (ESAF) agreements in 1994 and 1997. However, this cooperation was subject to immense tension and domestic opposition: neither ESAF agreement was fully implemented and both broke down after one year respectively.[39] In December 2000, the IFIs approved Nicaragua for up to US$4.5 billion in debt relief under the Enhanced HIPC Initiative, provided that it would develop a national PRSP acceptable to the IFIs and comply with all structural conditionalities set out in the PRSP. The following sections analyze the participation of civil society in the formulation of Nicaragua's PRSP and describe how an inclusive-neoliberal development regime is emerging in Nicaragua, along with the development and implementation of the PRSP.

As set out in the PRSP *Sourcebook*, the first step in developing a national PRSP is the Interim-PRSP (or I-PRSP), of which the poverty diagnosis is a priority.[40] The actual design process of Nicaragua's PRSP began in January 2000. The first draft of the I-PRSP consisted of three main pillars: broad-based economic growth and structural reform; human capital formation, and better protection for vulnerable groups. Significantly, civil society organizations did not participate in the formulation of this first draft, although some government-selected groups were consulted within the National Economic and Social Planning Council (CONPES), a space for dialogue between the government and numerous CSOs.[41] In April 2000, the I-PRSP was presented to CONPES and to the international development community. As a response to criticism, mainly from the IFIs but also from some CSOs, good governance was added to the revised document as a fourth pillar.[42] Good governance has been included in most PRSPs because the

Bank has argued that aid will be effective only if disbursed in the right institutional environment.[43] In this case, most civil society actors in Nicaragua acknowledge the need for accountable and transparent government practices and have also advocated for including good governance in the first draft.

The consultations with CSOs within CONPES resulted in the elaboration of a proposal with 56 amendments to the I-PRSP draft. However, these amendments were not taken into consideration by the Nicaraguan government, and some parts of the final I-PRSP, such as the macroeconomic chapter of the I-PRSP, were not even presented to CONPES or CSOs outside of CONPES.[44] In June 2000, an IMF mission visited Nicaragua, providing feedback on the macroeconomic chapter of the I-PRSP. The IMF staff worked behind closed doors with government experts to formulate the macroeconomic chapter, and refused any contact with CONPES or other civil society groups.[45] As Rasmussen points out, after this "IMF visit," the content of the I-PRSP was "sort of [a] state secret for several weeks, and it was not translated into Spanish until more than a month after it was sent to the IFIs."[46] This confirms the complaints of many NGOs that, from the initial stages of the PRSP process, macroeconomic issues were not open for discussion.

Outside of government, little information was available on the I-PRSP, and no further presentations were made to civil society before the I-PRSP was submitted to the IFIs.[47] In July 2000, the I-PRSP, called the Strengthened Poverty Reduction Strategy (SPRS) of Nicaragua, was endorsed by the IFIs without further participation by or consultation with CSOs. CSOs did not receive a copy of the I-PRSP until three months later, when the document was finally translated into Spanish and was made public by the government.[48] It is apparent that there was no fundamental input from civil society into the I-PRSP, despite the fact that the development of the I-PRSP is arguably the most important step in designing a national PRSP because it sets the underlying assumptions about poverty and is the foundation upon which the full PRSP and its macroeconomic and structural policies are built.

In March 2001, the Nicaraguan government submitted to the IFIs the I-PRSP to be approved as the final PRSP without substantial changes and without further participation of or consultation with CSOs. In January

2001, however, a number of CSOs sent a letter to the Boards of the IFIs and to a number of bilateral donors. The letter highlighted that the full PRSP of Nicaragua — called the Strengthened Growth and Poverty Reduction Strategy (SGPRS) — that was to be approved by the IFIs in March 2001 did not have the support of either CSOs or local governments, and that there had been absolutely no participation of civil society during its formulation process. In response to this criticism, the IFI raised concerns about the lack of consensus around the strategy and delayed the approval of the SGPRS, and demanded that the Nicaraguan government begin a consultation process on the document so as to gain civil society support.[49]

Eventually, the Nicaraguan government gave in to IFI pressure and organized workshops in eleven municipalities in which participants were invited to discuss the public investment programs and the specific poverty reduction projects that were to be implemented through the PRSP and were thought to affect each municipality.[50] However, only certain programs and projects were open to discussion with CSOs because the government believed that civil society has valuable expertise in specific project areas only, such as health care, education, and good governance. Moreover, the government assumed that CSOs could help in the implementation of certain social programs and would be gladly willing to do so.[51] For example, in rural areas without health centres, it was hoped that NGOs would deliver government-subsidized care to the extremely poor. Thus, the government attempted to integrate CSOs into the implementation process of the PRSP, providing material incentives for CSOs to participate in the official process. But the structural and macroeconomic pillar of the SGPRS was not up for discussion, even though it ultimately frames the investment programs and the specific projects. In fact, debate about the overall neoliberal development and accumulation strategy was completely absent in the workshops.[52]

According to one participant, these workshops could best be described as information dissemination sessions, rather than consultation. Unfortunately, participants did not even receive the SGPRS prior to the workshop and therefore had no time to read, reflect, and prepare comments on the document.[53] Thus, while the Bank and the Fund insisted that the Nicaraguan government engage civil society actors and attempt to make NGOs part of

the implementation process, the core content of the PRSP was never open for discussion and NGO voices were completely missing. This is further corroborated by the fact that Nicaragua's PRSP deviates only slightly from earlier structural adjustment policies, despite the criticisms of many NGOs regarding PRSP content.

Content of Nicaragua's PRSP There are numerous guidelines for the content and implementation of PRSPs. It is not surprising that a number of reviews have found that most PRSPs remain closely wedded to a neoliberal policy framework and differ only insignificantly in their respective content.[54] However, as noted earlier in this article, there are slight but important modifications from earlier SAPs, which should not be neglected and point to the emergence of an inclusive-neoliberal policy regime. The following section examines some of the dissimilarities between SAPs and PRSPs that most succinctly distinguish the neoliberal from the inclusive-neoliberal development order.

In Nicaragua, numerous CSOs have critically noted that the especially important area of macroeconomic issues has been totally excluded from discussions and consultations on the PRSP, and that the macroeconomic chapter in the PRSP is informed by a strictly monetarist approach.[55] Sound fiscal and macroeconomic management, including low inflation, restrictive budgets, and high interest rates, are underlined as the key to economic development in Nicaragua's PRSP.[56] Export promotion and direct foreign investment are represented as the tools for catching up to the developed world. In fact, a sound (i.e., neoliberal) macroeconomic framework and satisfactory performance under the Poverty Reduction Growth Facility (PRGF), the Fund's equivalent to the Bank's PRSP, represent preconditions for achieving debt relief under the HIPC initiative, and Nicaragua has been keen to stay "on track" in order to qualify for debt relief. In addition, the conditions attached to IFI finance have actually proliferated during the PRSP process. The Poverty Reduction Support Credit (PRSC) that Nicaragua was granted after the approval of its PRSP has more than 140 conditions attached to it. [57]

Some of the conditions attached to IFI finance in Nicaragua include the "restructuring" (read: privatization) of the pension system, governance

reforms, and the further liberalization of trade and the privatization of certain sectors of the economy, in particular the divestment of ENITEL, the telecommunications giant, and ENEL, the main energy producer and distributor. Most of these reforms build on earlier reform processes that had stalled under intense opposition by counterhegemonic social forces. The liberalization follows the same trajectory as earlier reforms that opened up the Nicaraguan economy to foreign investment and products in the mid-1990s, and which, at the same time, led to significant deindustrialization and high levels of unemployment: a decline in manufacturing production from 15 percent of GDP in 1992 to 5 percent of GDP in 2000.[58] Such privatization is the continuation of an earlier process that had not come to an end, particularly because of successful counterhegemonic struggles to stall the plundering of national resources by multinational companies, a process aptly described by Harvey as "accumulation by dispossession."[59]

There is much continuity between earlier SAPs and Nicaragua's PRSP because the Bank seems to hold onto most aspects of the neoliberal recipe, and pushes through (with the "carrot" of debt relief) reforms that had not been fully implemented in the past. Yet, as pointed out earlier, throughout the PRSP process the Bank has put pressure on developing countries to increase their poverty-related spending using resources freed up by debt relief and to integrate numerous social programs into their PRSPs, directly addressing some of the negative side effects of the neoliberal policy mix. While these programs might help to improve the situation of the poor (albeit in a limited way), they also function as micropolitical technologies of control and should be interpreted as an adventure in hegemony building.

During the period from 2001 to 2003, Nicaragua saved approximately US$580.3 million through debt relief and was expected to channel those savings into poverty reduction programs. While a large portion of this money was actually directed away from poverty reduction and instead misspent on internal debt reduction, *La Coordinadora* estimates that 30–40 percent was used for its intended purpose, to tackle poverty head-on.[60] In 2004 and 2005, Nicaragua retained another US$420 million through the HIPC II initiative. As a consequence, poverty-related spending climbed from 11.3% of GDP in 2001 to 13.6% in 2005, while expenditure in the education

and health sector increased significantly during the same time span, rising from 3.6 to 4.7% of GDP in education (representing an additional $US 80 million) and from 2.8 to 3.4% in health (adding another $US 50 million to the meagre health budget).[61] Importantly, this happened at a time when the government cut back on other expenditures as Nicaragua was running a large balance-of-payments deficit and had to cut its budget.

This overall concern for social issues also finds expression during the PRSP process in the introduction of social programs that directly focus on poverty reduction, the two most important of which are the Social Protection Network (SPN) and the SGPRS Implementation Support Program (PAI). The SPN is a pilot social safety net that offers assistance to approximately 20,000 households in an attempt to improve the well-being of the extremely poor (while, from the Bank's view, stimulating the accumulation of "human capital"). The money transfer to the poor is not unconditional and there are a number of strings attached to participation in the program: to partake in the SPN, families have to commit to sending their children to school on a daily basis and to visiting health centres regularly in order to receive vaccinations. In exchange for monetary rewards, they also must agree to participate in educational sessions on a range of issues, such as nutrition, sexual behaviour, reproductive health, family hygiene, and child care. While this social safety net is to be welcomed — despite the spurious elements of control — it has to be pointed out that it currently reaches only 2.5% of the extremely poor, and therefore is just a drop in the ocean of poverty and deprivation.[62]

The second main program in the fight against poverty is the PRSP Implementation Support Program (PAI). Its goal is to establish an effective model of coordinated and integrated implementation of the SGPRS. As part of a pilot project, 11 municipalities have been elected to partake in the program, receiving transfer payments from the central government. Measures directly addressing poverty include giving milk to school children, providing seeds and storage silos to rural communities, and donating animals to farmers. Again, one of the key problems is that the PAI is not actually reaching most of the poor. As an NGO review of Nicaragua's PRSP reports, "[i]n a recent survey, only 1 in 5 of those interviewed in areas covered by the PAI knew of any government poverty reduction initiatives in their

community."[63] Sadly only 1.9 % of all PRSP spending is allocated to the PAI.

It is pertinent to note that both poverty reduction programs directly aim at improving the social indicators identified by the United Nation as the Millennium Development Goals (MDGs), but without significantly changing the power structure or resource redistribution in Nicaraguan society. Even if both programs help to pep up some of the desolate social indicators, it is safe to predict that they will not noticeably improve the overall situation of the majority of the excluded and disempowered poor in Nicaragua. As noted earlier in this article, how much governments can spend on social issues is clearly circumscribed by the neoliberal macroeconomic framework within which the PRSP operates. The Fund is well known for its warnings that social expenditures not create "inflationary pressures" in the economy.

Another area where this emerging inclusive-neoliberal regime and its inherent contradictions can be found is health care, where the SGPRS emphasizes the need to improve the access of poor people to basic care, but at the same time argues that, due to budgetary constraints, the government is forced to limit its health spending and will instead look to operational efficiency gains in an attempt to improve general access to health care. The health reform described in the SGPRS is expected to create efficiency gains through partial privatization by granting more autonomy to hospitals and clinics, and by leaving the provision of health services for the "more fortunate Nicaraguans" to the private sector.[64] Yet, the government acknowledges the need to subsidize NGO-delivered health programs for those unable to become "normal customers." In other words, where markets fail due to the lack of effective demand, the government will step in and subsidize the provision of health care using resources freed up through debt relief and by incorporating NGOs into the delivery of such care. Ironically, as experiences with the privatization of health services in the United States and Britain strongly suggest, this is a costly alternative to the decommodified universal health care that persists, for example, in Canada.

Conclusion This paper argues that, with the introduction of the PWC, a novel inclusive-neoliberal development regime has been materializing in the world development order. In addition, the paper demonstrates that a neo-

Gramscian perspective can help to make sense of the IFIs' shifts towards this inclusive-neoliberal policy model. In particular, the notion of cooptation, or *transformismo*, is useful in this regard. According to Cox, cooptation refers to "a strategy of assimilating and domesticating potentially dangerous ideas by adjusting them to the policies of the dominant coalition."[65] As the paper suggests, civil society participation, country ownership, and poverty reduction have been successfully "adjusted" and disarmed by the IFIs. In the PRSP process, they serve as policy tools in an attempt to establish the hegemony of a slightly modified inclusive-neoliberal development model. Through the PRSP process, the IFIs have incorporated some of their critics' main concerns into their mainstream discourse — such as civil society participation, country ownership, and poverty reduction — only to transform them into "policy instruments" for creating a consensus around the policies of the PRSP and to ensure that slightly modified neoliberal policies would be adopted and implemented.

Yet, while the PRSP process in Nicaragua has arguably been donor driven and country ownership and civil society participation were largely absent in the elaboration of the PRSP, one nonetheless has to acknowledge that the Bank did put pressure on the Nicaraguan government to increase poverty-related budgetary outlets. In fact, protection (and the increase over time) of poverty-related spending is itself one of the conditions attached to Nicaragua's Poverty Reduction Support Credit (PRSC), and, as such, a precondition of further collaboration with the IFIs and access to concessional finance.[66] As argued earlier, this could be interpreted as an attempt to further legitimize adjustment policies and to make the inclusive-neoliberal development regime hegemonic by providing (albeit meagre) incentives to those subaltern social forces that have suffered the most from IFI adjustment policies. While these pro-poor elements in IFI policy practice should be welcomed, the main problem with the PRSP approach lies in the ways in which it has further undermined sovereignty in developing countries.

As some commentators have convincingly argued, the PRSP approach has actually increased the power and the role of the IFIs in shaping developing country policies, and has consequently empowered the IFIs rather than developing countries.[67] The PRSP itself provides a comprehensive tool for

the IFIs to see what is going on in the developing country and to monitor macroeconomic and structural government policies across the board, against objectives and programs agreed upon with the IFIs.[68] Moreover, linking PRSPs to debt relief provides a powerful incentive for developing countries to buy into macroeconomic and structural policies set out in the PRSP *Sourcebook*. The IFIs have become tremendously powerful transnational structures of authority that are involved in the promotion of a hegemonic inclusive-neoliberal world order.

At the same time, the recent emphasis on civil society participation and poverty reduction reveals the vulnerabilities and weaknesses of the IFIs and indicates that, as the social relationist theoretical framework suggests, the form and character of the IFIs are in constant flux, representing the fragile balance of hegemonic and counterhegemonic social forces in the global development order. It is unlikely that resistance from counterhegemonic social forces, such as grassroots NGOs, will disappear in the context of the PRSP approach. As the case of Nicaragua has shown, CSOs are often aware of the dangers of cooperation with the IFIs and neoliberally minded political elites. In fact, it might be reasonable to conclude that the lack of real participation and the contradictions of the inclusive-neoliberal policy regime will lead to further disenchantment with the PRSP approach, and that, ultimately, this might translate into even stronger resistance to the IFIs development model. This is an area where further research would be needed to more clearly identify the counterhegemonic potential of the PRSP approach.

Finally, the march towards an inclusive-neoliberal development model should not be conceived teleologically as a necessary outcome of the inherent contradictions of neoliberal capitalism, but rather must be interpreted dialectically as the description of tendencies that, as they become revealed, may arouse oppositions (or support) that could lead to further social struggles and rearticulations of development strategies. As it stands, it is unlikely that the PRSP will increase support for the IFIs' neoliberal approach (which they desperately need and conspicuously hope for) through the shallow inclusion processes that form part of the inclusive-neoliberal model. On the other hand, we should not agree with those neo-Gramscian interpretations that absolutely rule out the possibility of a neoliberal world order ever

becoming hegemonic. History is the outcome of social struggles and, as such, is unpredictable.

Notes

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1. For a discussion of the social costs of SAPs, see Structural Adjustment Participatory Review International Network (SAPRIN), "The Policy Roots of Economic Crisis and Poverty," (12 June 2005), <http://www.saprin.org/SAPRI_Findings.pdf>. For the disappointing development results of SAPs, see Joseph Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton & Co, 2002); and Manfred Bienefeld, "Structural Adjustment: Debt Collection Device or Development Policy?" *Review: Ferdinand Braudel Center*, Binghampton University XXIII/4, pp. 533–587. For the lack of country ownership of SAPs, see John Pender, "From Structural Adjustment to Comprehensive Development Framework: Conditionality Transformed?" *Third World Quarterly* 22/3 (2001), pp. 397–411. While the term "development" is itself highly contested in the field of development studies, for the purpose of this paper I accept the conventional view put forth by the IFIs in which development is equated with growing economic prosperity measured in terms of GDP.
2. As the *World Development Report 1999/2000* points out, "[s]ome countries followed policies of liberalization, stabilization and privatization, but failed to grow as expected." See World Bank, *Entering the 21st Century: World Development Report 1999/2000* (Oxford: Oxford University Press, 2000), p. 16. However, it should be noted that a number of social forces outside of the IFIs, such as the antiglobalization movement and the "50 Years Is Enough" network, are also partly responsible for the rethinking process inside the IFIs. For a cogent discussion of this, see Michael Hardt and Antonio Negri, *Multitude: War and Democracy in the Age of Empire* (London: Penguin Books, 2004).
3. A comprehensive definition of the Washington Consensus can be found in John Williamson's work, where he incorporates ten points: fiscal discipline; a redirection of public expenditure priorities; tax reform; interest rate liberalization; a competitive exchange rate; trade liberalization; liberalization of FDI inflows; privatization of state companies; deregulation of labour markets, and secure property rights. See John Williamson, *Latin American Adjustment: How Much Has Happened?* (Washington: Institute for International Economics, 1990). For the most widely used definition of the PWC, see Joseph Stiglitz, "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus," WIDER Annual Lectures 1998, <http://www.wider.unu.edu/publications/annual-lectures/annual-lecture-1998.pdf>, (accessed 18 May 2004).
4. World Bank, *Attacking Poverty: World Development Report 2000/2001* (Oxford: Oxford University Press, 2001), p. 7.
5. Jeni Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches* (Washington DC: World Bank, 2002), p. 3.
6. See, for example, Ruth Driscoll and Alison Evans, "Second-Generation Poverty Reduction Strategies: New Opportunities and Emerging Issues," *Development Policy Review* 23/1 (2005), pp. 5–25; and David Booth, "Introduction and Overview," *Development Policy Review* 21/2 (2003), pp. 131–159.
7. For such an account, see Paul Cammack, "What the World Bank Means by Poverty Reduction, and Why It Matters," *New Political Economy* 9/2 (2004), pp. 189–211; Heloise Weber, "Reconstituting the 'Third World'? Poverty Reduction and Territoriality in the Global Politics of Development," *Third World Quarterly* 25/1 (2004), pp. 187–206; Greig Charnock, "Improving the Mechanisms of Global Governance? The Ideational Impact of the World

Bank on the National Reform Agenda in Mexico," *New Political Economy* 11/1 (2006), pp. 73–98; and Susanne Soederberg, "Rethinking Neoliberal Dominance in the Global South? A Critique of the Monterrey Consensus," *Alternatives*, 30 (2005), pp. 325–364.

8. Soederberg, "Rethinking Neoliberal Dominance in the Global South? A Critique of the Monterrey Consensus," p. 339.
9. Nicaragua provides an excellent case study because few reviews of Nicaragua's experience with the PRSP process have surfaced in academia. For an exception, see Sarah Bradshaw and Brian Linneker, "Civil Society Responses to Poverty Reduction Strategies in Nicaragua," *Progress in Development Studies* 3/2 (2003), pp. 113–130; and Geske Dijkstra, "The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua," *Development Policy Review* 23/4 (2005), pp. 443–464.
10. David Craig and Doug Porter, "The Third World and the Third Way: Poverty Reduction and Social Inclusion Strategies in the Rise of 'Inclusive' Liberalism," *Review of International Political Economy* 12/2 (2005), pp. 226–263.
11. For the first generation of neo-Gramscian scholarship, see Robert W. Cox, "Social Forces, States and World Orders: Beyond International Relations Theory," in *Neorealism and Its Critics,* Robert O. Keohane, (ed.), (New York: Columbia University Press, 1986), pp. 204–254; Robert W. Cox, *Production, Power, and World Order* (New York: Columbia University Press, 1987); and Stephen Gill, *American Hegemony and the Trilateral Commission* (New York: Cambridge University Press, 1990). Since a number of criticisms have been raised from within and outside the neo-Gramscian camp (e.g., Randall Germain and Michael Kenny, "Engaging Gramsci: International Theory and the New Gramscians," *Review of International Studies* 24/3 (1998), pp. 535–547; and Peter Burnham, "Neo-Gramscian Hegemony and the International Order," *Capital & Class* 54/1 (1991), pp. 73–93), a second generation of neo-Gramscian scholarship appeared in the late 1990s, directly engaging these criticisms and providing a more self-reflective account of the international political economy. See, for example, Craig Murphy, "Global Governance: Poorly Done and Poorly Understood," *International Affairs* 76/4 (2000), pp. 789–803; Mark Rupert, *Producing Hegemony: The Politics of Mass Production and American Global Power* (Cambridge: Cambridge University Press, 1995); Andreas Bieler and Adam D. Morton, "A Critical Theory Route to Hegemony, World Order, and Historical Change: Neo-Gramscian Perspectives in International Relations," *Capital and Class* 82 (Spring 2004), pp. 85–113; and William I. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (Maryland: John Hopkins University Press, 2004).
12. Robert W. Cox, "Gramsci, Hegemony, and International Relations: An Essay in Method," *Millennium: Journal of International Studies* 12/2 (1993), pp. 162–175.
13. Stephen Gill, "Grand Strategy and World Order: A Neo-Gramscian Perspective." Lecture delivered on 20 April 2000 at Yale University (25 July 2005), <http://www.yale.edu/iss/GS-WorldOrder-Gill.pdf >,p. 3.
14. For a further elaboration on these three spheres of social activity, see Robert Cox, "Social Forces, States and World Orders: Beyond International Relations Theory;" and Bieler and Morton, "A Critical Theory Route to Hegemony, World Order, and Historical Change: Neo-Gramscian Perspectives in International Relation."
15. Robert W. Cox with Michael G. Schechter, *The Political Economy of a Plural World: Critical Reflections on Power, Morals, and Civilization* (Routledge: London, 2002), p. 82.
16. William Robinson has thus far provided the most empirically detailed and theoretically persuasive account of the transnationalization of the production process and the emergence of a somewhat integrated transnational capitalist class. See Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World.*
17. Stephen Gill, for example, argues that the current transnational historic bloc is increasingly characterized by supremacy, taking the place of hegemony. Where hegemonic orders are inclusive and intend to incorporate subordinate interests, supremacist strategies rely more openly on coercion and seek to develop domination over apparently scattered and atomized sets of interests. For a full exposition of this argument, see Stephen Gill, "Epistemology, Ontology, and the Italian School," in S. Gill, (ed.), *Gramsci, Historical Materialism, and International*

Relations (Cambridge: Cambridge University Press, 1993); and Gill, "Grand Strategy and World Order: A Neo-Gramscian Perspective."

18. The growing resistance to neoliberal capitalism is cogently discussed by E. Osei Kwadwo Prempeh, "The Anticapitalism Movement and African Resistance to Globalization," *Studies in Political Economy* 77 (Spring 2006), pp. 85–104. For another collection of insightful essays, see Barry K. Gills, (ed.), *Globalization and the Politics of Resistance* (London: Macmillan, 2000).
19. For an elucidating account of this process, see Rupert, *Producing Hegemony: The Politics of Mass Production and American Global Power*.
20. This claim neither disregards the important authorship of states in the transnatioanlization of production, nor does it imply the retreat or "hollowing out" of the nation-state or the irrelevance of domestic social struggles. Rather, the argument is that transnational structures of authority exist side by side with domestic power structures and that these transnational structures exercise significant power, particularly in developing countries. For a theoretical elaboration on this point, see Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World*. For the classic critique of the outside-in view of early neo-Gramscians, see Leo Pantich, "Globalization and the State," in Leo Panitch and Ralph Miliband, (eds.), *Socialist Register 1994* (London: Merlin Press, 1993).
21. Paul Cammack, "The Mother of All Governments: The World Bank's Matrix for Global Governance," in R. Wilkinson and S. Hughes, (eds.), *Global Governance: Critical Perspectives* (London: Routledge, 2002).
22. Marcus Taylor, "Opening the World Bank: International Organizations and the Contradictions of Global Capitalism," *Historical Materialism* 13/1 (2005), p. 154.
23. While some neo-Gramscian scholars have rightly been criticized for the insufficient incorporation of resistance and counterhegemony into the theorization of hegemonic practices, the social relationist understanding acknowledges the dialectical nature of hegemonic and counterhegemonic practices and hinges upon a cyclical understanding of hegemony and counterhegemony. This implies taking peripheral counterhegemonic social forces seriously and not locating the engine of world history solely in the Euro-American region and with transnational social forces, as many neo-Gramscians tend to do. However, due to space constraints this paper will focus exclusively on the IFIs' attempt to create hegemony from the top down. A full account of the emergence of the PRSP approach would have to entail an analysis of the role of counterhegemonic social forces and their struggles against structural adjustment.
24. Cox, "Gramsci, Hegemony, and International Relations: An Essay in Method," p. 172.
25. Williamson, *Latin American Adjustment: How Much Has Happened?,* p. 1.
26. As noted earlier, the dismal economic record of structural adjustment has been somewhat acknowledged recently by the Bank. See, for example, World Bank, *Entering the 21st Century: World Development Report 1999/2000*, p. 16.
27. According to Joseph Stiglitz, the Post-Washington Consensus represents the realization that making markets work requires more than just low inflation and liberalization. Well-functioning markets also depend on sound financial regulation, competition policy, and policies to facilitate the transfer of technology, some important issues neglected by the Washington Consensus. Therefore, Stiglitz acknowledges that "the state has an important role to play in appropriate regulation, social protection, and welfare. […] The government should serve as a complement to markets, undertaking actions that make markets work better and correcting market failures." ("More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus," pp. 25–26).
28. Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches,* p. 2.
29. Jeni Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume I: Core Techniques and Cross-Cutting Issues* (Washington, DC: World Bank), p. 4.
30. Klugman, *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches,* p. 4. It is important to point out that, contrary to the IFIs' claim, there is no current international consensus on what constitutes effective macroeconomic and structural

development policy. To the contrary, it should be evident that this remains a highly contentious subject. The IFIs' approach has been under heavy criticism for more than two decades, and there is no ample support in the epistemic community for the IFI claim that "market fundamentalism" and free trade are good for the poor, or that privatization and liberalization will necessarily reduce poverty and ultimately lead to economic growth and development in the periphery. The World Bank has been trying to create an ideological hegemony around their view for the past 20 years, but has (fortunately) not succeeded in convincing all parts of the epistemic community. This is not surprising given the lack of historical evidence for the neoliberal claim, and abundant evidence demonstrating that SAPs have, in fact, been harmful overall. See, for example, Mark Wesibrot, Robert Naiman, and Joyce Kim, "The Emperor has no Growth: Declining Economic Growth Rates in the Era of Economic Globalization," (6 September 2006), <http://www.cepr.net/IMF/The_Emperor_Has_No_Growth.pdf>; and Mark Weisbrot et al., "Growth may be Good for the Poor – But are IMF and World Bank Policies Good for Growth?" (13 August 2006), <http://www.cepr.net/publications/econ_growth_2001_05.htm>(accessed 13 August 2006).

31. Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches,* p. 33.
32. Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume I: Core Techniques and Cross-Cutting Issues,* p. 4.
33. Quintin Hoare and Geoffrey Nowel-Smith, (eds.), *Selections from the Prison Notebooks of Antonio Gramsci* (London: Lawrence and Wishart, 1971), p. 178.
34. Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches.*
35. *Ibid.,* p. 238.
36. Mohsin S. Khan, "IMF Conditionality and Country Ownership of Programs," IMF Working Paper No.01/142, (20 March 2006), <http://www.imf.org/external/pubs/ft/wp/2001/wp01142.pdf>, p. 14 (accessed 20 March 2006).
37. Klugman, (ed.), *A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches,* p. 241.
38. Neoliberalization, however, is an ongoing process that is highly contested within civil society and remains subject to outside pressure. For a discussion of the role of the US administration in this neoliberalization process, see William I. Robinson, *Transnational Conflicts: Central America, Social Change, and Globalization* (London: Verso, 2003).
39. The experience of Nicaragua with SAPs during the 1990s is a good example of the problem of lack of "ownership" of development policies. In Nicaragua, intense negotiations between the IFIs and the Nicaraguan government lasted for three years before the first official Enhanced Structural Adjustment Facility (ESAF) agreement was signed in 1993. During the implementation period, however, SAPs still faced strong political opposition from NGOs, organized workers, unions, and even from the Nicaraguan parliament despite the official endorsement of SAPs by the Nicaraguan government. In fact, some of the conditions set out in the first ESAF agreement were not implemented until 1997, four years after the initial agreement, while others were never implemented. See Catalan Aravena, "A Decade of Structural Adjustment in Nicaragua: An Assessment," *International Journal of Political Economy* 30/1 (Spring 2000), pp. 55–71.
40. Due to the varying capacities of developing countries, those unable to develop full PRSPs can begin with Interim-PRSPs. At a minimum, an I-PRSP must include a statement of commitment to poverty reduction, an outline of the nature of the poverty problem and of existing government strategies to tackle it, and a timeline and process for preparing the full PRSP. According to the *Sourcebook*, the IFIs do not expect extensive participation of CSOs in the formulation of the I-PRSP. (*A Sourcebook for Poverty Reduction Strategies, Volume II: Macroeconomic and Sectoral Approaches*, p. 4).
41. CONPES was founded in 1999 as a counselling entity of civil society and a space for dialogue between civil society and the government. Its main purposes are to advise the president in policy formulation, to monitor and evaluate social and economic programs, and to make recom-

mendations on the annual budget. Some civil society organizations are members of CONPES, such as *La Coordinadora Civil*, the Community-Based Movement (MCN), labour unions, and the Superior Business Council (COSEP). Other members of CONPES are political parties and government representatives. The CSOs that are members of CONPES were selected by the government.

42. At the time, the Alemán government was under heavy criticism from the international community for corruption and the lack of transparency in the privatization process.
43. Good governance is defined by World Bank president James Wolfensohn as "the combination of transparent and accountable institutions, strong skills and competence, and a fundamental willingness to do the right thing." ("Good Governance and Development: A Time for Action." Speech given in Jakarta, Indonesia (11 April 2006).
44. Eva Rasmussen, *PRSP – León Norte: Systematization of Process and Results* (Managua: Ibis, 2003), p. 7.
45. The important umbrella NGO *La Coordinadora Civil*, which represents around 500 Nicaraguan grassroots NGOs, asked for a meeting with the IMF mission to discuss macroeconomic issues, but did not even receive a reply from the IMF.
46. Rasmussen, *PRSP – Leon Norte: Systematization of Process and Results*, p. 7.
47. Bradshaw and Linneker, "Civil Society Responses to Poverty Reduction Strategies in Nicaragua," p. 5.
48. English is the official language of the PRSP process. This clearly represents a problem because many NGOs, particularly grassroots NGOs in the rural areas, did not have a chance to read the document prior to its translation into English. However, a "popular version" of the PRSP was distributed in Spanish.
49. Bradshaw and Linneker, "Civil Society Responses to Poverty Reduction Strategies in Nicaragua," p. 6.
50. For a documentation of this consultation process, see Consejo Nacional de la Planificación Economica Social (CONPES), *Consulta Municipal sobre la ERCEP: Sistematización de las Memorias de Trabajo en los Once Municipios* (Managua: Banco Interamericano de Desarollo, 2002).
51. Interview with government official, Managua (15 May 2004).
52. Rasmussen, *PRSP – Leon Norte: Systematization of Process and Results*, p. 10.
53. It takes at least two hours to read this 100-page document. In interview, many critics of the government consultation process pointed out that the PRSP should have been distributed to the participants before the workshop to ensure that people could familiarize themselves with its content.
54. Ricardo Gottschalk, "The Macro Content of PRSPs: Assessing the Need for a More Flexible Macroeconomic Framework," *Development Policy Review* 23/4 (2005), pp. 419–443; United Nations Conference on Trade and Development, "Economic Development in Africa. From Adjustment to Poverty Reduction: What is New?" (10 March 2006), <http://www.unctad.org/en/docs/pogdsafricad2.en.pdf> (accessed 10 March 2006).
55. This criticism can be found in the alternative (civil society) poverty reduction strategy, *La Nicaragua Que Queremos*, developed by the NGO *La Coordinadora Civil.* See Coordinadora Civil, *La Nicaragua que Queremos: Enfoque y Prioridades para una Estrategia Resultado del Proceso Consulta, Debate y Análysis*, (Managua: Editronic, 2001). The idea to develop an alternative PRSP was informed by the fear that any involvement in the government process could be used by the government to legitimize the content of the poverty reduction strategy. In a wide consultation process on the alternative PRSP, *La Coordinadora Civil* organized 23 workshops between January and April 2002 in 14 departments and in the two autonomous regions *Atlantico Norte* and *Atlantico Sur*, in which almost 1000 people participated. During this process, *La Coordinadora Civil* facilitated discussions with organizations of civil society and local governments about the priorities and policies that they thought should be part of a strategy for development and the reduction of poverty.
56. Government of Nicaragua, "A Strengthened Growth and Poverty Reduction Strategy," (30 August 2003), <http://poverty.worldbank.org/files/Nicaragua_PRSP.pdf>, p. 17.

57. Dijkstra, "The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua," p. 457.
58. Catalan Aravena, "A Decade of Structural Adjustment in Nicaragua: An Assessment," p. 67. For a detailed discussion of the harmful effect of trade liberalization on the Nicaraguan economy, see also Geske Dijkstra, "The Impact of Structural Adjustment on Manufacturing: Lessons from Nicaragua," *World Development* 24/3 (1996), pp. 535–547.
59. For an elaboration on the notion of accumulation by dispossession, see David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003), pp. 137–82. It is pertinent to point out that both liberalization and privatization were assiduously criticized by *La Coordinadora Civil* in the alternative PRSP document.
60. While a World Bank representative mildly criticized this misuse of the HIPC money, the Fund representative supported it, maintaining that swapping internal for external debt strengthens the position of the Central Bank and encourages macroeconomic stability, both contributing to poverty reduction. Interviews with Bank and Fund representatives (Managua: 4 August 2005).
61. Presidencia de La Republica, *Informe 2005: Politica Social y Economica* (Managua: Gobierno de Nicaragua, 2005), p. 125. The obvious problem with these kinds of statistics is that they are open to manipulation, such as redefining what counts as expenditure in health and education. Also, it is hard to evaluate the effects of increases in social investment in the case of Nicaragua because the last available poverty statistics date back to 2001.
62. The extreme poverty line in Nicaragua is determined by the World Bank calculating the annual cost to buy a bundle of food that provides 2,187 Kcal/day. The per capita annual extreme poverty line in 1998 was estimated at C$2,489 or US$237.
63. Bradshaw and Linneker, "Civil Society Responses to Poverty Reduction Strategies in Nicaragua," p. 5.
64. Government of Nicaragua, "A Strengthened Growth and Poverty Reduction Strategy," p. 27.
65. Robert W. Cox with Timothy J. Sinclair, *Approaches to World Order* (Cambridge: Cambridge University Press, 1993), p. 130.
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